

2001 Neighborhood Electric Vehicle (NEV) Credit

Arizona Form 328

NOTE: *There may be a compliance audit when the department processes this credit form. This will cause a longer than normal processing time for your return.*

Phone Numbers

If you have questions, please call one of the following numbers:

Phoenix	(602) 255-3381
From area codes 520 & 928 toll-free	(800) 352-4090
Form orders	(602) 542-4260
Forms by Fax	(602) 542-3756
Recorded Tax Information	
Phoenix	(602) 542-1991
From area codes 520 & 928 toll-free	(800) 845-8192
Hearing impaired TDD user	
Phoenix	(602) 542-4021
From area codes 520 & 928 toll-free	(800) 397-0256

You may also visit our web site at: www.revenue.state.az.us

Credit Provisions

For 2001 calendar year basis taxpayers, the following applies:

- You may not take a credit for purchasing or leasing a used NEV.
- The credit for purchasing or leasing a new NEV is 50 percent of the cost of the NEV, or \$1,000, whichever is more. However, the total amount allowed for a credit cannot be more than the cost of the vehicle.

This tax credit cannot be claimed for any taxable year ending after December 31, 2001.

Eligibility Requirements

To be eligible for a NEV credit, all of the following must apply:

- You must have placed the order to lease or purchase the vehicle before October 20, 2000. Purchases made, orders placed, or contracts entered into after October 19, 2000 are not eligible for a credit.
- You must have filed State of Arizona Form, *Notice of Intent to Claim Alternative Fuel Tax Credit or Opt Out Payment*, or State of Arizona Form, *Notice of Intent to Claim Alternative Fuel Tax Credit for Neighborhood Electric Vehicle*, to the Office of Alternative Fuel Recovery/Department of Revenue by January 2, 2001.
- The taxpayer must have paid in full for the vehicle **before** December 1, 2000.
- The taxpayer cannot transfer the vehicle to any person, other than a member of the taxpayer's immediate family or a person who resides in the same household as the taxpayer, for 36 months after the initial registration of the vehicle.
- The vehicle must be registered in Arizona for at least 36 months.

- A taxpayer that takes a credit for a NEV purchased or leased on or after July 1, 2000, cannot use that vehicle on a golf course for other than maintenance purposes. If the vehicle is used, at any time, on a golf course for other than maintenance, the entire credit is subject to recapture and the taxpayer will also be subject to a civil fine of \$1,000.

Credit Recapture

The department is required to disallow the credit or recapture the credit if any of the following occur:

- The taxpayer transfers the vehicle to any person, other than a member of the taxpayer's immediate family or a person who resides in the same household as the taxpayer, within 36 months after the initial registration of the vehicle. The recapture will not apply if the vehicle is transferred because the vehicle is demolished or if the taxpayer dies before the end of the 36-month period.
- The vehicle is registered in Arizona for less than 36 months.

If any of the above occurs, the department must calculate the recapture as follows:

- If the date of the event that causes the recapture is within the first full year after the vehicle is placed in service, 100%.
- If the date of the event that causes the recapture is within the second full year after the vehicle is placed in service, 66 2/3%.
- If the date of the event that causes the recapture is within the third full year after the vehicle is placed in service, 33 1/3%.

In addition to the above, if a taxpayer takes a credit for a NEV purchased on or after July 1, 2000, and then uses that vehicle on a golf course, at any time, for purposes other than maintenance, the entire credit is subject to recapture. The taxpayer will also be subject to a civil fine of \$1,000.

Equitable Relief

If the taxpayer transfers the vehicle to any person, other than a member of the taxpayer's immediate family or a person who resides in the same household as the taxpayer, within 36 months after the initial registration of the vehicle or if the vehicle is registered in Arizona for less than 36 months, you may be eligible for equitable relief if both of the following apply:

- You were unable to meet either of the above requirements due to circumstances that would make the requirement unfair or inequitable to you; and
- You acted in good faith.

See Department of Revenue general tax procedure, GTP 01-02 for more information about equitable relief.

You may apply for equitable relief when you claim the credit. Use Form AFV-RR, *Request for Relief From Alternative Fuel Vehicle Requirements*, to apply for equitable relief. If you apply for equitable relief when you claim the credit, attach your equitable relief request to your income tax return.

If the department does not grant you equitable relief and disallows your credit, you will be billed for any tax, penalty and interest that results from that disallowance. To avoid penalty and interest charges, you can file your original return without claiming the credit, then file an amended return to claim the credit. If you choose to claim the credit on an amended return, be sure you attach your equitable relief request to the amended return.

Attachments

When you claim a credit on Form 328, you should attach appropriate documentation to your claim. Your documentation should show when you entered into the purchase order/agreement, the cost of the vehicle, when you paid for the vehicle, when you took delivery of the vehicle, and when you titled and registered the vehicle.

The department may also ask for additional documentation upon audit.

Use of This Form

Use this form to do the following.

- Figure your NEV credit for the purchase or lease of a new NEV.
- Certify that you will not use a NEV purchased or leased on or after July 1, 2000, for which you are claiming a credit, on a golf course for purposes other than maintenance of the golf course.
- Figure how much of a NEV credit carryover you have available from the 1999 or 2000 taxable year.
- Figure any recapture of a NEV credit.

NOTE: *If you are eligible for a credit from more than one source (e.g., direct investment, flow-through from a partnership or S corporation), complete a separate Form 328 for each source. Enter the aggregate amounts from all Forms 328 on Arizona Form 300 or Arizona Form 301.*

What is a NEV?

A NEV is a self-propelled electrically powered motor vehicle that has alternative fuel vehicle special plates or an alternative fuel vehicle sticker issued by the Arizona Motor Vehicle Department and to which all of the following apply:

- The vehicle is emission free.
- The vehicle is designed to carry 4 or fewer persons.
- The vehicle is designed to be and is operated at speeds of 25 miles per hour or less.
- The vehicle has at least 4 wheels in contact with the ground.
- The vehicle has an unladen weight of less than 1,800 pounds.

The vehicle must be equipped with all of the following:

- Headlamps
- Front and rear turn signal lamps
- Tail lamps

- Stop lamps
- Reflex reflectors: one red on each side as far to the rear as practicable, one red on the rear
- An exterior mirror mounted on the driver's side of the vehicle and either an exterior mirror mounted on the passenger's side of the vehicle or an interior mirror.
- A parking brake
- A windshield of AS-1 or AS-5 composition that conforms to the American National Standard Institute's Safety Code for Safety Glazing Materials for Glazing Motor Vehicles Operating on Land Highways.
- A type 1 or type 2 seat belt assembly that conforms to the Federal Motor Vehicle Safety Standard number 209, installed at each designated seating position.
- A 17 digit VIN unless the vehicle is designed to be operated at speeds of 20 miles per hour or less. If the vehicle is designed to be operated at speeds of 20 miles per hour or less, the vehicle is not required to have a 17 digit vehicle identification number.

If you have questions about whether your vehicle meets these requirements, contact the manufacturer of your vehicle.

Vehicles like golf carts (unless the golf cart qualifies as a NEV), motorcycles, motor driven cycles, mopeds, electric bicycles, motorized wheelchairs, vehicles designed primarily for agricultural purposes, or vehicles not designed primarily for operation on highways (like forklifts) are not NEVs for this credit.

Line-by-Line Instructions

Enter the names and taxpayer identification numbers (TIN) as shown on Form 140, 140PY, 140NR, 140X, 120, 120A, 120S, 120X, or 165.

All returns, statements, and other documents filed with the Department of Revenue require a taxpayer identification number (TIN). The TIN is either a correct social security number or, for a business, the federal identification number. Paid tax preparers must also include their TIN on forms where requested. Taxpayers and paid preparers who fail to include the preparer TIN may be subject to a penalty. Please check the return to be sure that all required identification numbers are accurate and written clearly. Missing, incorrect, or unclear identification numbers may cause delays in processing the returns.

Part I - Credit Intent Notice

Answer the question on line 1. Check the box for the answer that applies to you.

To be eligible for a NEV credit, you must have filed State of Arizona Form *Notice of Intent to Claim Alternative Fuel Tax Credit or Opt Out Payment*, or State of Arizona Form *Notice of Intent to Claim Alternative Fuel Tax Credit for Neighborhood Electric Vehicle* to the Office of Alternative Fuel Recovery/Department of Revenue. You must have filed this form by January 2, 2001.

If you were unable to file the intent notice by the January 2, 2001 deadline, but feel that you are entitled to the credit, you may file Form 328 with an explanation of why you did not file the intent form by the deadline. If the department disallows your credit, you will be billed for any tax, penalty and interest that result from that disallowance. To avoid penalty and interest charges, you can file your original return without claiming the credit, then file an amended return to claim the credit.

Computing Your Credit

Cost	
Use the chart below to determine the cost of a NEV	
Cost For the Purchase of a NEV	The cost of the NEV is the amount you paid for the NEV minus the sum of any customer rebates, factory-to-dealer incentives, document preparation fees, registration fees, title fees, amounts paid for extended warranties, or aftermarket equipment installed on the vehicle.
Cost For the Lease of a NEV	If you leased the NEV, the cost of the NEV is the lease amount. The lease amount is the capitalized cost minus the sum of any customer rebates, factory-to-dealer incentives, document preparation fees, registration fees, title fees and the residual value of the vehicle as shown on the lease.

Part II - Credit for Purchase or Lease of New NEVs

Lines 2 through 12 -

Use lines 2 through 12 to figure your credit for purchasing or leasing a new NEV.

If you have purchased or leased more than three new NEVs, complete an additional schedule. The additional schedule should show the same information that is shown on the form for the first three NEVs.

The credit for purchasing or leasing a new NEV is 50 percent of the cost of the NEV, or \$1,000, whichever is more. However, the credit cannot exceed the cost of the vehicle.

Complete lines 2 through 12 as instructed on the form.

Part III - Certification for Credit

Line 13 -

To be eligible for a credit for a new NEV purchased or leased on or after July 1, 2000, you must certify that the NEV has not been and will not be used on a golf course, other than as a maintenance vehicle.

- If an individual claiming this credit is the purchaser of the NEV, the individual must sign this certification.
- If a corporation or an S corporation is claiming this credit, or if an S corporation is passing this credit through to its shareholders, one of the officers authorized to sign the corporate return must sign this certification.

- If a partnership is passing this credit through to its partners, one of the partners authorized to sign the partnership return must sign this certification.
- If the credit is for a leased NEV and the lessee and lessor are sharing the credit, the lessee must sign this certification on the lessee's Form 328 and the lessor must sign this certification on the lessor's Form 328.

If a NEV that is purchased or leased on or after July 1, 2000 is or has been used on a golf course for purposes other than maintenance of the golf course, you may not take a credit for that NEV.

If a NEV, purchased or leased on or after July 1, 2000, is used on a golf course for purposes other than maintenance of the golf course after a credit is taken, then you must recapture the amount of credit taken and also pay a civil penalty of \$1,000.

If the credit is being shared between a lessor and lessee, then both the lessor and the lessee must recapture the amount of credit claimed for the disqualified vehicle. The lessee rather than the lessor is liable for the penalty.

If an S corporation or a partnership has passed this credit through to its shareholders or partners, then each shareholder or partner must recapture the amount of credit claimed for the disqualified vehicle. The S corporation or the partnership, rather than the shareholders or partners is liable for the penalty.

Part IV - Lessor/Lessee Agreement

Lines 14 through 22 -

If you have entered into a lease agreement for the NEV, the lessor may claim a share of the credit for the NEV as provided in the lease agreement. The total credit allowed to be taken between the lessor and the lessee cannot be more than the total credit allowed for that NEV.

Complete lines 14 through 22 as instructed on the form.

If a lessee and lessor share a credit for a NEV leased on or after July 1, 2000, and that NEV is later used on a golf course for other than maintenance purposes, then the following applies:

- The lessee must inform the lessor that the NEV was used on a golf course.
- The lessee must remit the \$1,000 penalty to the Arizona Department of Commerce Energy Office.
- Both the lessee and the lessor must recapture the amount of any credit claimed for any disqualified vehicle.

Part V - S Corporation Credit Election and Shareholder's Share of Credit

Line 23 - S Corporation Credit Election

All S corporations must complete line 23. The S corporation must make an irrevocable election to either claim the credit

or pass the credit through to its shareholders. One of the officers of the S corporation who is also a signatory to the Arizona Form 120S must sign this election.

Lines 24 through 26 -

If the S corporation elects to pass the credit through to its shareholders, it must also complete lines 24 through 26.

An S corporation must complete the Form 328 through line 23. Then, complete lines 24 through 26 separately for each shareholder. Each shareholder may claim only a pro rata share of the credit based on the shareholder's ownership interest in the S corporation. The S corporation must furnish each shareholder with a copy of the completed Form 328.

Each shareholder must complete Parts VII through XV as applicable.

Part VI - Partner's Share of Credit

A partnership must complete the Form 328 through line 22. Then, complete lines 27 through 29 separately for each partner. Each partner may claim only a pro rata share of the credit based on the partner's ownership interest in the partnership. The partnership must furnish each partner with a copy of the completed Form 328.

Each partner must complete Parts VII through XV as applicable.

Part VII - Available Credit Carryover

Lines 30 through 32 -

Use Part VII to figure your total available credit carryover from the 1999 or 2000 taxable year. Complete lines 30 through 32 if you claimed a credit for a NEV on your 1999 return or 2000 return and the credit was more than your tax. Use Part VII of Form 328 to figure your carryover, even though you claimed the original 1999 credit on Form 313.

In column (b), enter the credit originally computed for the 1999 taxable year or 2000 taxable year. In column (c), enter the amount of the credit that you have already used. Subtract the amount in column (c) from the amount in column (b) and enter the difference in column (d). However, if you are required to complete Part XV of Form 328, do one of the following instead.

1. If the amount on Part XV, line 64 is a positive number, enter that number here.
2. If the amount on Part XV, line 64 is a negative number, enter zero here.

Part VIII - Total Available Credit

Line 33 - Current Year's Credit

Individuals and corporations (including S corporations that elected to claim the credit), enter the amount from Part II, line 12, or if a lessor, from Part IV, line 19, or if a lessee, from Part IV, line 22. S corporation shareholders, enter the amount from Part V, line 26. Partners of a partnership, enter the amount from Part VI, line 29.

Line 34 - Available Credit Carryover

Enter the amount from Part VII, line 32, column (d).

Line 35 - Total Available Credit

Add lines 33 and 34. Enter the total.

Individuals, also enter the total available credit on Arizona Form 301, Part I, line 23.

NOTE For Individual Taxpayers Only: *If you are married, and you and your spouse file separate returns, you may each take only one-half of the total credit that would otherwise be allowed on a joint return.*

Corporations (including S corporations that elected to take the credit), also enter the total available credit on Arizona Form 300, Part I, line 19.

Part IX - Credit Recapture For NEVs Used on a Golf Course

Part IX applies only to NEVs purchased or leased on or after July 1, 2000.

Lines 36 through 40 -

If any NEV, purchased or leased on or after July 1, 2000, is used on a golf course for purposes other than maintenance of the golf course after a credit is taken, then you must recapture any credit taken for that vehicle or vehicles.

Complete Form 328, Part IX if the following apply:

- The NEV was purchased or leased on or after July 1, 2000.
- A credit was taken for that NEV.
- That NEV was used on a golf course for other than maintenance purposes after a credit was taken.

Complete lines 36 through 40 as instructed on the form.

Part X - Credit Recapture For NEV Owners That No Longer Own the NEV, or That No Longer Have the NEV Registered in Arizona

Lines 41 through 47 -

The department is required to disallow the credit or recapture the credit if any of the following occur:

- The taxpayer transfers the vehicle to any person, other than a member of the taxpayer's immediate family or a person who resides in the same household as the taxpayer, within 36 months after the initial registration of the vehicle. The recapture will not apply if the vehicle is transferred because the vehicle is demolished or if the taxpayer dies before the end of the 36 month period.
- The vehicle is registered in Arizona for less than 36 months.

If any of the above occurs, the department must calculate the recapture as follows:

- If the date of the event that causes the recapture is within the first full year after the vehicle is placed in service, 100%.
- If the date of the event that causes the recapture is within the second full year after the vehicle is placed in service, 66 2/3%.
- If the date of the event that causes the recapture is within the third full year after the vehicle is placed in service, 33 1/3%.

Complete lines 41 through 47 as instructed on the form.

Part XI - Total Recapture

Line 48 -

Add the amount on Part IX, line 40 and Part X, line 47. Enter the total.

Part XII - Lessor/Lessee Information Applicable to the Recapture

Lines 49 through 56 -

If a credit that is subject to recapture was shared by a lessor and a lessee, then either the lessor or the lessee must complete Part XII to let the other party know their share of the credit recapture.

Complete lines 49 through 56 as instructed on the form.

Part XIII - S Corporation Shareholder Information Applicable to the Recapture

Lines 57a through 57c -

If the credit was passed through from an S corporation to its shareholders, the S corporation must provide each shareholder with information concerning the shareholder's pro rata share of the credit recapture. The S corporation must complete Part XIII, lines 57a through 57c separately for each shareholder. The shareholder must complete Part XV (lines 59 through 64).

Part XIV - Partnership Partner Information Applicable to the Recapture

Lines 58a through 58c -

If the credit was passed through from a partnership to its partners, the partnership must provide each partner with information concerning the partner's pro rata share of the credit recapture. The partnership must complete Part XIV, lines 58a through 58c separately for each partner. The partner must complete Part XV (lines 59 through 64).

Part XV - All Taxpayers Subject to the Recapture

Lines 59 through 64 -

Complete lines 59 through 64 as instructed on the form.

Where Should I Mail My Return?

Attach this form to your Arizona income tax return, and mail your return to: Arizona Department of Revenue, PO Box 29206, Phoenix AZ 85038-9206. Do not mail your return to the address indicated on the tax return.

Form 328-P – NEV Penalty

Form 328-P applies only to NEVs purchased or leased on or after July 1, 2000.

You must pay a civil penalty of \$1,000 for each NEV that is used on a golf course if all of the following apply:

- The NEV was purchased or leased on or after July 1, 2000.
- A credit was taken for that NEV.
- That NEV was used on a golf course for other than maintenance purposes after a credit was taken.

If a lessee and lessor share a credit for a NEV leased on or after July 1, 2000, and that NEV is later used on a golf course for other than maintenance purposes, then the lessee must complete Form 328-P and remit the penalty to the Arizona Department of Commerce Energy Office.

If an S corporation or a partnership has passed this credit through to its shareholders or partners, the S corporation or partnership, rather than the shareholder or partner is liable for the penalty. In this case the S corporation or partnership must complete and remit Form 328-P.

If you are liable for this penalty, complete and remit Form 328-P.